

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 2724 - HB 3037

February 18, 2012

SUMMARY OF BILL: Requires any tuition increase at a public higher education institution to result in an equal decrease in the institution's annual state appropriation. Requires the Office of Legislative Budget Analysis and the Comptroller of the Treasury to provide comments on the higher education funding formula to the Chairs of the Education and Finance, Ways and Means Committees of the General Assembly.

ESTIMATED FISCAL IMPACT:

**Decrease State Revenue – \$146,680,200/FY12-13
\$162,447,300/FY13-14
Exceeds \$162,447,300/FY14-15 and Subsequent Fiscal
Years**

Assumptions:

- According to the Tennessee Board of Regents and the University of Tennessee, public higher education institutions will impose a tuition freeze on in-state and out-of-state tuition at the current level for FY11-12 academic year.
- The General Assembly will retain the power to set the appropriation level for public higher education institutions even if public higher education institutions freeze tuition at the FY2011-2012 level to avoid the automatic decrease in state appropriations.
- In the absence of this legislation, in FY12-13, FY13-14, and subsequent fiscal years, TBR and UT would have imposed tuition increases.
- In FY08-09, tuition revenue for TBR was \$627,705,963. In FY09-10, TBR's tuition revenue was \$723,151,413. In FY10-11, TBR's tuition revenue was \$800,426,641.
- TBR's average annual growth from tuition revenue from FY08-09 to FY10-11 was 11.5 percent.
- This percentage growth will be used to extrapolate TBR's estimated decrease in revenue from tuition for FY12-13, FY13-14, and subsequent fiscal years.
- In FY10-11, TBR received \$800,426,641 in tuition revenue. With 11.5 percent growth, TBR will receive \$892,475,705 from tuition revenue in FY11-12.
- With 11.5 percent growth, TBR would receive \$995,110,411 from tuition revenue in FY12-13; a difference of \$102,634,706 (\$892,475,705 x 11.5%).
- With 11.5 percent growth, TBR would receive \$1,109,548,108 from tuition in FY13-14; a difference of \$114,437,697 (\$995,110,411 x 11.5%).
- In FY12-13, TBR's revenue from tuition will decrease \$102,634,706.

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- In FY13-14, TBR's revenue from tuition will decrease \$114,437,697.
- In FY08-09, UT received \$371,825,051 from tuition. In FY09-10, UT's tuition revenue was \$404,492,792. In FY10-11, UT's tuition revenue was \$448,985,457.
- UT's average growth from tuition revenue from FY08-09 to FY10-11 was nine percent.
- This percentage growth will be used to extrapolate UT's estimated decrease in revenue from tuition for FY12-13, FY13-14, and subsequent fiscal years.
- In FY10-11, UT received \$448,985,457 in tuition revenue. With nine percent growth, UT will receive \$489,394,148 in tuition revenue in FY11-12.
- With nine percent growth, UT would receive \$533,439,621 in tuition revenue in FY12-13; a difference of \$44,045,473 (\$489,394,148 x 9%).
- With nine percent growth, UT would receive \$581,449,187 in tuition revenue in FY13-14; a difference of \$48,009,566 (\$533,439,621 x 9%).
- In FY12-13, UT's revenue from tuition will decrease \$44,045,473.
- In FY13-14, UT's revenue from tuition will decrease \$48,009,566.
- The total decrease in state revenue in FY12-13 will be \$146,680,179 (\$102,634,706 + \$44,045,473).
- The total decrease in state revenue in FY13-14 will be \$162,447,263 (\$114,437,697 + \$48,009,566).
- The total decrease in state revenue in FY14-15 and subsequent fiscal years will exceed \$162,447,263.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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